



**REMARKS OF
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Good morning, I am Kyle Kempf—government affairs director for the National Small Business Association (NSBA). Founded in 1937, NSBA has advocated on behalf of America’s entrepreneurs for seventy years and is proud to have been the first national small-business advocacy organization in the United States. NSBA reaches more than 150,000 small businesses across the country.

Section 132 of *H.R. 6, Energy Policy Act of 2005*—which became Public Law No: 109-58—required the Administrator of the Small Business Administration (SBA), in consultation with the Secretary of Energy and the Administrator of the Environmental Protection Agency (EPA), to develop and coordinate a Government-wide program, building on the Energy Star Small Business Program, to assist small businesses. The program was to help small businesses (1) become more energy efficient; (2) understand the cost savings from improved energy efficiency; (3) understand and access Federal procurement opportunities with regard to Energy Star technologies and products; and (4) identify financing options for energy efficiency upgrades.

It also required the Secretary of Energy, the Administrator of the EPA, and the Administrator of the SBA to make program information available to small business concerns directly through the district offices and resource partners of the SBA, including small business development centers, women's business centers, and the Service Corps of Retired Executives (SCORE), and through other Federal agencies, including the Federal Emergency Management Agency and the Department of Agriculture. It also required the

Department of Energy and the EPA to provide to the SBA all advertising, marketing, and other written materials necessary for the dissemination of this information.

None of this has been accomplished—or even begun—in the two years since this bill was signed into law. In fact, there is no mention of or link to the Energy Star Small Business program on the front page of the SBA website. If one was to do a search for “Energy Star” through SBA’s online search tool, the top result would be some sort of document that was last updated on October 15, 2001.

Other than the overwhelmed and under-funded staff of the Energy Star Small Business program, the EPA has ignored small business, and the SBA has ignored energy and environmental issues pertaining to small business. Recognition within the Department of Energy has been completely nonexistent. Thankfully, the small-business provisions of the House and Senate energy packages seek to address this chronic disregard and develop new initiatives.

U.S. Senate

On June 21, the Senate passed *H.R. 6, the Creating Long-Term Energy Alternatives for the Nation (CLEAN Energy) Act of 2007*. Prior to the final vote on *H.R. 6*, more than two dozen amendments were approved. Several of these amendments were introduced by Senators John Kerry (D-Mass.) and Olympia Snowe (R-Maine) and address small business. The amendments constitute the substance of *S. 1657, the Small Business Energy Efficiency Act of 2007*, which Senators Kerry and Snowe had introduced in June.

Specifically, the amendments—located in sections 270C and 270D—would:

- Require the SBA to implement an energy efficiency program, as mandated in the *Energy Policy Act of 2005*, and publish, within 90 days of enactment, a detailed plan on

how the SBA Administrator intends to assist small business become more energy efficient by building on the Energy Star Small Business program;

- Establishes an SBA Assistant Administrator for Small Business Energy Policy position;
- Establish a pilot program to increase energy efficiency through energy audits offered through Small Business Development Centers;
- Authorize the SBA administrator to guarantee “on-bill financing” agreements between businesses and electric utility companies, to cover a utility company’s risk in entering into such an agreement (Chris Lynch will go into more detail about on-bill financing in just a minute);
- Create a telecommuting pilot program at the SBA aimed at education and outreach;
- Create a priority status within the Small Business Innovation Research and Small Business Technology Transfer programs for small-business concerns participating in energy efficiency or renewable energy research and development projects; and
- Establish loans for businesses seeking to transfer to renewable sources of energy and improve their energy efficiency by expanding the 7(a) Express Loan program.

NSBA had advocated for a number of these provisions and was pleased they were included in the Senate’s legislative package. NSBA also is grateful to Senate Committee on Small Business and Entrepreneurship Chairman Kerry and Ranking Member Snowe, both of whom recognize the need to harness the decentralized half of the U.S. economy to fully combat climate change. Of course, we are grateful for their steadfast support of America’s small businesses as well.

U.S. House of Representatives

The House of Representatives passed, on August 4, *H.R. 3221, the New Direction for Energy Independence, National Security and Consumer Protection Act*, which was an amalgamation of bills previously marked up and approved by 10 House committees. Included among these committees was the House Committee on Small Business, which, in May, reported—by voice vote—*H.R. 2389, the Small Energy Efficient Businesses Act*. This bill was introduced by Representative Heath Shuler (D-N.C.) and co-sponsored by Chairwoman Nydia Velázquez (D-N.Y.).

The small-business provisions of *H.R. 3221*—located in Title III of the bill—call for the creation of a 7(a) program that has a 90-percent guarantee, with half the applicable fees, for loans used to purchase energy efficient equipment or fixtures, defined as those which reduce energy consumption by 10 percent or more. The bill also would permit energy efficiency projects that reduce energy consumption by at least 10 percent to qualify as a public policy goal under the 504 program, and would allow such projects to be eligible for the \$4 million debenture.

It also requires the SBA to establish a strategy for educating small businesses about energy efficiency, and establishes an energy efficiency program for Small Business Development Centers, permitting them to apply for additional grants if they provide services related to increased energy efficiency for their small-business clients.

The small-business provisions of *H.R. 3221* also require the SBA to develop and coordinate a government-wide program, building on the Energy Star Small Business program—and with the consultation and cooperation of the Secretary of Energy and the Administrator of the EPA to assist small businesses in (1) becoming more energy efficient, (2) understanding the cost savings from improved energy efficiency, and (3) identifying financing options for energy efficiency upgrades.

The bill also authorizes Small Business Investment Companies to issue a new class of debentures, called Energy Saving debentures, for small businesses primarily engaged in the researching, manufacturing, developing, or providing products, goods, or services that

reduce the use or consumption of non-renewable energy resources. Finally, it creates a Renewable Fuel Capital Investment (RFCI) program aimed at helping small firms develop renewable energy sources and new technologies.

NSBA had advocated for a number of these provisions as well, and appreciates their inclusion. NSBA also is grateful for the leadership of House Committee on Small Business Chair Velázquez and Ranking Member Steve Chabot, both of whom diligently have worked to address the concerns of small business in a bipartisan fashion this Congress.

Energy Star Small Business Program

I also wanted to say a few words about the Energy Star Small Business program, which provides helpful technical support and information to small businesses trying to conserve energy and improve efficiency. Its resources allow small businesses to explore the options available in energy-efficient products, services, and financing as well as the tools to calculate the costs and payback periods of various products and updates. While the Energy Star Small Business Program has been successful, its full promise has yet to be realized, as its limited budget has hindered its ability to reach the general small business community. In fact, only 60 percent of the respondents to a recent NSBA energy survey reported being familiar with the Energy Star label.

To give you an idea of just how much the Energy Star Small Business program has been shortchanged, it receives less than 2 percent of the overall Energy Star budget, which translates into less than a million dollars out of a \$50 million program. With this limited money, the Small Business program is expected to reach out to America's 26 million small businesses—and its congregations! Considering that small businesses produce more than half of the private sector output in the U.S. and undoubtedly consume a commensurate amount of energy, this must be rectified. NSBA supports increasing the budget of the Energy Star Small Business program to a more equitable level.

Increasing Access to Capital

Although they go about it in slightly different ways, both *H.R. 6* and *H.R. 3221* attempt to increase small businesses' access to capital for energy-efficiency upgrades. This is critically important. Nearly 70 percent of the respondents of a recent NSBA energy survey reported having not invested in energy efficiency programs for their businesses. Obviously, this failure to act is not due to a lack of interest in cutting costs and saving money—it is because most small businesses are either unaware of the options available or unable to afford the capital expenditure required. NSBA supports federal incentives, including low or zero interest rate loans, so America's small businesses can take advantage of energy-efficiency opportunities that they could not otherwise afford.

When discussing the need for incentives for small-business energy efficiency investments, it is important to keep in mind that only 44 percent of new, employer small businesses survive at least four years, according to the SBA Office of Advocacy. Although many energy-efficiency upgrades eventually will pay for themselves, it is not uncommon for it to take longer than the typical small-business owner can afford to look ahead.

A recent *BusinessWeek* article stated, "Companies continue to assess most green initiatives with the same return-on-investment analysis they would use with any other capital project. And while some environmental advances pay for themselves in times, returns often aren't as swift or large as competing uses of corporate cash....many major initiatives simply aren't money-savers."

This is exactly the void into which governments must step—especially in regard to small businesses. It is unrealistic and unfair to expect the 26 million small businesses in the U.S. to upgrade their energy efficiency without some help—incentives and/or assistance are needed. NSBA is grateful that the energy packages currently being considered reflect this recognition.

Thank you.

To access the NSBA Energy Policy, please see:
<http://www.nsba.biz/docs/nsbaenergypolicyexecutivesummary.pdf>

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